REPLY TO
ATTENTION OF:

CERE (1oo)   6 February 1995

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Real Estate Policy Guidance Letter No. 10 --
Requirements for Homeowners Assistance Program (HAP) Market
Impact Studies in Metropolitan Areas.

1.   Except as modified in this guidance, all Market Impact
Studies shall comply with ER 405-1-12, Chapter 7, Section III,
paragraph 7-8, and Addendum 2. This guidance identifies
alternative methods which may be utilized in performing Market
Impact Studies in metropolitan, and densely populated areas.

2.,   The basic purpose of all HAP impact studies is to
demonstrate whether or not home prices have declined since the
date of the announcement of the closure or realignment of a
military installation and if so whether or not the announcement
or closure was a significant factor in causing the reduction in
prices. Focus must be on defined areas near an installation
being closed or reduced in personnel, and address whether or not
the announcement of the closure or reduction was a significant
factor in causing the decline, if any occurred, in home prices.
In order to support a credible conclusion, each impact study
should contain the following information:

     a.   Obtain a reliable estimate of the number of military
and civilian homeowners affected by the announcement and what
area or political jurisdiction they live in, including zip code.
Obtain the number of occupied homes in each of the areas or
political jurisdictions and calculate the percentage of employee
homeowners in each area or jurisdiction. The higher the
percentage of base employee homeowners to total homeowners, the
more likely that the closure or reduction will have an adverse
impact on the housing market in a given area. This information
alone will provide some reasonable guidance as to what area(s)
should receive additional study. If, for example, less than 1%
of the homeowners in a given area are base employees, then it is
less likely that the base closure announcement would have had an
adverse impact on the housing market in that area.

     b.   Obtain the number of homes listed for sale in each area
being studied, for each of the three years preceding the
announcement, and for the elapsed period subsequent to the
announcement. If less than one year of data is available
subsequent to the announcement, that data must be broken down

into quarters or months. Likewise, the data preceding the
announcement must be broken down into quarters or months. A
significant increase in the number of listings after the
announcement, as compared to the corresponding periods before the
announcement, indicates that the announcement likely has had an
adverse impact on the real estate market in the area.

  c. Obtain the number of homes sold in each area being
studied for each of the three years preceding the announcement,
and for the elapsed period subsequent to the announcement. If
less than one year of data is available subsequent to the
announcement, that data must be broken down into quarters or
months. Likewise, the data preceding the announcement must be
broken down into quarters or months. A significant decrease in
the number of homes sold after the announcement, as compared to
the corresponding periods before the announcement, indicates that
the announcement likely has had an adverse impact on the real
estate market in the area.

  d. Calculate and report the average number days on market
for each area being studied, for each of the three years
preceding the announcement, and for the elapsed period subsequent
to the announcement. If less than one year of data is available
subsequent to the announcement, that data must be broken down
into quarters or months. Likewise, the data preceding the
announcement must be broken down into quarters or months. A
significant increase in the number of days on market after the
announcement, as compared to the corresponding periods before the
announcement, indicates that the announcement likely has had an
adverse impact on the real estate market in the area.

  e. Obtain the number of residential building permits
issued in each area being studied, for each of the three years
preceding the announcement, and for the period subsequent to the
announcement. If less than one year of data is available
subsequent to the announcement, that data must be broken down
into quarters or months. Likewise, the data preceding the
announcement must be broken down into quarters or months. A
significant decrease in the number of building permits after the
announcement, as compared to the corresponding periods before the
announcement, indicates that the announcement likely has had an
adverse impact on the real estate market in the area.

     f.   Obtain and report the number of FHA and VA
foreclosures, tied as closely to the defined areas as possible,
for the time periods indicated above.

3.   Multiple regression analysis, along with collection an
analyses of the above required data, as a substitute for or in
combination with actual appraisals of individual homes, may be
utilized to help support a recommendation for a HAP program in
densely populated areas. Where a considerable volume of sales
data is available, multiple regression analysis can be used to
analyze the market data, depict trends, estimate values, and to
isolate or test the significance of specific value determinants.
As a technique or tool, it's effectiveness depends on the
knowledge and skill of the person(s) using it. The most
important requirement of the technique is a large data base of
sales of reasonably similar properties. There is no guarantee
that a multiple regression analysis of a given data base of sales
will give conclusive results. In particular, if the information
in the data base is not accurate, then it is not possible for the
regression analysis to give accurate results (garbage in =
garbage out).

4.   A study utilizing multiple regression analysis, must include
the following information and processes:

     a.   Obtain and analyze data of single family detached home
sales that have occurred in each political jurisdiction located
within described limits of the installation area, which occurred
during the two years preceding the announcement of the closing
(or realignment) of the installation. Additionally, obtain
available sales of single family detached homes that have
occurred since the announcement date. The data obtained and
analyzed should include at least 85% of all open market, single
family home sales located in each area, that have a reasonable
degree of similarity to the selected subject properties for that
area. If it is known or believed that a significant number of
installation employees own single family attached housing units,
then data for these should be gathered and analyzed separately.

     b.   The data must include those items of iniormation on
each property sold that had a significant effect on tne sale

price.   For example, each sale utilized must include the sale
price, sale date, square feet of living area, age, number of
baths, and other variables that have a significant effect on
sales price, e.g., number of garages, decks, pools, fireplaces,
and so forth.

      c.   The appraiser will analyze the data obtained utilizing
stepwise multiple regression analysis to estimate the value of a
hypothetical or actual house in each area with three dates of
value for each house.   These dates of value will be (1) one year
before the announcement date, (2) the announcement date, and (3)
the current date.   Each estimate of value will be based on sales
which have occurred in that area in the preceding 12 months, with
the exception that the current value estimate will be based only
on sales which have occurred after the announcement date.   The
data must be reviewed to determine the physical characteristics
of each hypothetical or actual subject property.

      d.   The data base for the first series of each valuation
will be all sales of reasonably similar homes that have occurred
in the area of that subject in the preceding twelve months.   The
data will be grouped by zip code areas, by city, or by Multiple
Listing Identification Areas (as specific and as identifiable as
possible), and divided into three time frames.   A minimum of
sixty (60) sales in each group should be included for the
indications and valuations to be considered reliable.

      e.   The results of the first series will be utilized to
compute an "indicated value" of each comparable sale.   The
appraiser will calculate the percent error between the "indicated
value" and the actual sales price of each comparable sale.   Based
on an analysis of these calculations, the appraiser will delete
those comparables which have a significant error (say plus or
minus 15%) between the estimated and actual sales price.   The
appraiser may also delete certain sales and not analyze a
variable which is not common to a significant number of
properties in the data base, e.g., eliminate sales which include
pools.   The appraiser will then utilize the revised data base to
estimate the indicated value of each hypothetical or actual
subject home, in each area, for each time period as a second
series of values.

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        f.   The finished report will contain, at a minimum the
following:

              (1)   Tables summarizing the data obtained and analyzed.

              (2)   Each value conclusion or indication and the number
of records utilized, the Constant, Standard Error of the
Estimate, R-Squared, Degrees of Freedom, X Coefficient, and
Standard Error of the Coefficients.

5.   The local Multiple Listing Service(s) will likely be the
best source of information for the data base of residential
sales. The data may be obtained and analyzed by either qualified
staff personnel or contractors.

6.   A recommended scope of work for contracting for this type of
report is enclosed. A staff report should follow the same
guidelines.

Encl   B. J. FRANKEL
                             Director of Real Estate

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SUBJECT: Real Estate Policy Guidance Letter No. 10 --
Requirements for Homeowners Assistance Program (HAP) Market
Impact Studies in Urban and Metropolitan Areas

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"SAMPLE"
SCOPE OF WORK

1. Project   Housing Market Impact (HAP) Study,
                                        (Installation name and state)

2. Location   Area surrounding (Installation name and
                                        location) as described below

3. Type of Property   Single Family Residential

4. Interest Analyzed   Fee Simple

5. Multiple Regression Analysis

                                        A single report will be furnished and
                                        will include data and analyses as
                                        described below.

6. Date of Valuation   Three (3) different dates of analysis as
                                        described below (one year prior to the
                                        announcement, the date of announcement,
                                        and current date).

7. Purpose   To depict changes in home prices, and to
                                        measure the extent of decline and
                                        adverse impacts (if any) in selected
                                        areas.

8.   The appraiser will obtain the data, perform the analysis,
and furnish four copies of a finished report which provides a
summary of the data obtained, analysis performed and conclusions
reached from the following study:

      a.   The appraiser will obtain and analyze data of single
family detached and attached home sales that have occurred in
each political jurisdiction located in (describe limits of study
area) which occurred during the two years preceding the
announcement of the closing or realignment of (installation
name), and available sales of single family homes that have
occurred since that date. The data obtained and analyzed should
include at least 85% of all open market single family home sales
located in each area that have a reasonable degree of similarity
to the selected subject properties for that area.

      b.   The data must include those items of information on
each property sold that had a significant effect on the sale
price. For example each sale utilized must include the sale
price, sale date, square feet of living area, age, number of

baths, and other variables that have a significant effect on sales price, e.g., number of garages, decks, pools, fireplaces, and so forth. If an area contains a significant number of sales of attached or condominium housing units, then these should be divided into separate data bases and analyzed separately.

c. The data will be grouped by zip code areas, by city, or by Multiple Listing Identification Areas (as specific and identifiable as possible). Each area will be sorted into three time frames.

d. The appraiser will analyze the data obtained utilizing stepwise multiple regression analysis to estimate the value of a hypothetical or actual house in each area with three dates of value for each house. These dates of value will be (1) one year before the announcement date, (2) the announcement date, and (3) the current date. Each estimate of value will be based on sales which have occurred in that area in the previous 12 months, with the exception that the current value estimate will be based only on sales which have occurred after the announcement date. The contractor will perform a preliminary review of the data to determine, with agreement with the Government's representative, the physical characteristics of each subject property.

e. The data base for the first series of each valuation will be all sales of reasonably similar homes that have occurred in the area of that subject in the preceding twelve months. A minimum of sixty (60) sales should be included for each valuation.

f. The appraiser will utilize the results of the first round to compute an "indicated value" of each comparable sale. The appraiser will calculate the percent error between the "indicated value" and the actual sales price of each comparable sale. Based on an analysis of these calculations the appraiser will delete those comparables which have a significant error (say plus or minus 15%) between the estimated and actual sales price. The appraiser may also delete certain sales and not analyze a variable which is not common to a significant number of properties in the data base, e.g., sales which include pools. The appraiser will then utilize the revised data base to estimate the indicated value of each hypothetical or subject home, in each area, for each time period as a second series of values.

g. No physical inspections will be required under this contract.

h.   The finished report will contain, at a minimum the following:

(1)   Tables summarizing the data obtained and analyzed.

(2)   Reporting of each value conclusion.   And for each value conclusion; the number of records utilized, the Constant, Standard Error of the Estimate, R-Squared, Degrees of Freedom, X Coefficient, and Standard Error of the Coefficients.